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S E C R E T SECTION 01 OF 03 MUSCAT 000797

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SUBJECT: Scenesetter for General Petraeus' Visit to Oman (July 26 - July 28, 2009)

CLASSIFIED BY: L Victor Hurtado, CDA, State, Exec; REASON: 1.4(A), (B), (D)

¶11. (S) Embassy Muscat warmly welcomes you back to Oman. As noted at that time, Oman is an old and dependable friend of the United States. Even when Omani perceptions differ from ours, they are frank and businesslike about issues and are open to discussion. Omanis were warmly receptive to President Obama's speech in Cairo, and the Ministry of Foreign Affairs (MFA) has been welcoming of the new administration's approach on most foreign policy issues in the region. This has bolstered our ongoing relationship with Oman, with the most significant milestone being the entering into force of the U.S./Oman Free Trade Agreement on January 1. Below follows an update on other events since your last visit.

Base Access Agreement (BAA)

¶12. (S) The BAA, first signed in 1980, is an essential element of our bilateral relationship. It is up for renewal in 2010, and we need to set the stage for expansion of its scope, including inclusion of the port of Sohar in northern Oman, a new port, dry-dock facility and airport in Duqm in central Oman, and the new Al-Musanah airbase, suitably located close to Sohar. We have tentatively agreed with the Omanis to begin negotiations in October 2009 with an eye to concluding in 2010. Recent initial communication from Oman set the starting point for negotiation of payment at \$125M/yr, a significant increase from the current \$48M/yr. Historically, however, the Omanis have begun with a very high price tag, asking for \$100M at the beginning of the 1990 negotiation. Congress denied AFCENT's request for funding to create the needed infrastructure at al-Musanah to move the War Reserve Materials from Seeb North, where we are scheduled to conclude operations in May 2010.

F-16 or Eurofighter Acquisition by the Royal Air Force of Oman

¶13. (S) Despite optimistic rumors that Oman is leaning towards Lockheed Martin and the F-16, we understand that the fighter acquisition is still very much in play. Oman is replacing one or both of its two squadrons of its aging Jaguar fighters and buy-British sentiment remains formidable despite the much higher cost of the European planes. Delivery of Oman's current squadron of 12 Block 50 F-16s was completed in 2008, and Oman has the current logistical setup to support 12 more F-16s.

Iran

¶14. (S) As you heard on your last visit, Oman denies that Iran poses a direct threat to the Sultanate's national security. However, Oman's defense posture, including its staging and acquisition of military hardware, shows that it clearly recognizes the risk that Iran poses to regional stability. To Omani thinking, the possibility of asymmetrical terrorist operations conducted against Gulf states, including U.S. targets in these countries, is a possibility. Oman maintains a careful balance of treating Iran with respect while keeping it at a comfortable distance.

¶15. (S) Prior to the Iranian election, the Sultan had scheduled a visit to Iran, his first since the time of the Shah. While Oman was quick to recognize President Ahmenijad as the winner, the election aftermath, followed by the crackdown on legitimate dissent, has created an embarrassment and a conundrum for the Sultan. He is as loath to confront the Iranians by cancelling as he is to "make news" by continuing. So far, he has postponed the visit, looking for a time that would attract less attention while he conducts what he sees as Oman's essential business. We have been told that the visit will likely take place by early August.

¶16. (S) Oman continues to combat both illegal immigration and narcotics smuggling along its northern coast, and sees an essential item of business to work with Iran to halt this flow of people and

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goods. What is reported in the Iranian press as a "Security Cooperation Agreement" is in reality "Anti-Smuggling Agreement" that will allow Oman to further protect its borders. Secondly, Oman's ambitious industrialization plans call for much more natural gas than it can produce itself. Rebuffed by the Qatar and Saudi Arabia, Oman has turned to negotiations for large-scale gas commitments from the nearby Kish Island of Iran. These negotiations have progressed slowly, and the Sultan may seek to leverage some progress through his visit.

¶18. (S) Although Oman does not want to serve as a mediator between the U.S. and Iran; it is keen to see Iran take advantage of the opportunity to engage directly with the U.S. Former Special Advisor for the Gulf and Southwest Asia Ambassador Dennis Ross visited Oman and met with Sultan Qaboos on May 2, 2009. The Sultan stressed that he heartily agrees with the U.S. approach to engagement with Iran based on direct negotiations. In a July 15, 2009 interview reported on by an Egyptian daily, the Sultan's Advisor on Cultural Affairs, Abd al-Aziz bin Muhammad Al Rawwas, who has historically served as the Sultan's personal liaison to Iran, was quoted saying that "the world" (standing in for the more specific "Iran") should seize on the Obama Administration's offer of engagement. We expect the Sultan may make a similar pitch during his visit.

Syria

¶19. (S) Omani Foreign Minister Yusuf bin Alawi has been dispatched several times to Damascus in recent months, and Bashir Al Assad was here in April 2009, with one specific goal being to address Syria's support of foreign fighters entering Iraq. Bin Alawi has especially welcomed U.S. initiatives to Syria, particularly the return of our Ambassador, which he felt was very important. Oman sees its activities in Syria as seeking to bring Syria back into the Arab fold, and away from the influence of Iran.

¶11. (S) While Oman recognizes the regional issues caused by extremism in Afghanistan; historical factors create far more interest in the situation in Pakistan. As much as twenty percent of Omanis can trace some Baluchi origin. Gwadar, located on the southwestern coast of Baluchistan province in Pakistan, was under Omani rule until it was transferred to Pakistan in 1958, however, most Baluchi families settled in Oman over 100 years ago. Oman's concern for Pakistan's stability continues, and there was consternation here when regional press noted that a Muscat entrepreneur had ties to Lashkar-e-Taiba and the Mumbai terror attacks. Oman continues to provide humanitarian assistance, including \$12M in June 2009 to address the IDP crisis, in response to Ambassador Holbrooke's request for assistance during his June visit. While this is not sizeable by GCC terms, Oman has limited resources and this is a substantive contribution in terms of Omani capacity, and past aid patterns.

Masirah Island in Place of Manas

¶12. (S) With the possibility the Kyrgyz government closing our personnel and cargo transload mission at Manas, the U.S. conducted a site survey in May 2009 which determined that Al-Masirah is well suited to support this process for U.S. and coalition military operations in Afghanistan. Oman appeared to consider this option favorably, and we believe it likely that the U.S. would be permitted to use Al-Masirah for this purpose. However, we are much less confident that Oman would permit the transit of coalition forces. Should the time come next year to readdress this issue, we recommend high-level USG engagement with the Sultan to overcome this hurdle.

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Foreign Military Financing

¶13. (S) After recent, severe decreases in FMF, the budget for Oman is showing a welcome if minor upswing, with funding for FY09 being approved for \$7M. However, more assistance is needed to help achieve U.S. security goals in the region. Replacing aging-ELINT equipment in Musandam is essential as it would provide coverage in the Strait of Hormuz and into Iran, although U.S. funding is not currently available for this project. IMET funding has not experienced a decline and continues to play an important role in building and supporting our relationship with rising Omani officers. Oman continues to be very concerned about border security and seeks U.S. assistance, both financially and as advisors, especially regarding its border with Yemen. However, Oman has been thus far unwilling to let U.S. personnel travel to its border camps to assess potential joint projects.

Piracy

¶14. (S) The threat of piracy shows no sign of abating; rather it has shifted up to the Omani coast, with a successful maritime crime event by Somali pirates in Omani waters in June. Provision of more fast patrol boats, as requested by the Omanis, could play a significant role in Oman better controlling its coastline.

¶15. (S) Oman's Undersecretary for the Defense Minister, Mohammed bin Nassir Al Rasbi, recently shared a common Omani view that while some aspects of Yemen's internal situation are overblown in the press, the significance of a failed state in the region would lead to a breeding ground for terrorists. He believes that the GCC should collectively support Yemen, especially on social projects that the GCC can oversee. His view is that U.S. efforts should be complementary to the GCC in order not to appear to be aligned only in support of the Government, which in the eyes of southern Yemeni tribes, has neglected them. Oman also funds roads, schools and clinics along its border with Yemen where it shares a common tribal area.

¶16. (S) Oman revoked Omani citizenship from former Yemeni Vice President Ali Salim Al Baydh, due to his re-engagement in Yemeni political activities. Oman had warned Al Baydh against joining Yemen's southern separatist movement and it's action followed Al Baydh's public declaration on May 21.

#### Middle East Peace Process

¶17. (S) Oman continues to support a two state solution for Israel and Palestine, although top officials remain pessimistic about progress, especially in light of continue Israeli settlement activities. Special Envoy for the Middle East, George Mitchell visited Oman in April and met with the Sultan to discuss his views on the way forward. Oman contributed \$3M in direct budget support to the Palestinian government, which is unprecedented, as Oman generally prefers to maintain much more control over the use of its donated funds.

¶18. (S) Oman is unlikely to reopen its Israeli trade office in the absence of concrete movement from the Israeli side. At the same time, Oman will not close the door to both scheduled and ad hoc contacts with Israeli representation.

HURTADO